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TAGS: [PREL](#) [KNNP](#) [PTER](#) [ECON](#) [AG](#)
SUBJECT: SCENESETTER FOR AMBASSADOR SCHULTE'S ALGERIA VISIT

Classified By: Ambassador Robert Ford; reasons 1.4 (b) and (d).

¶1. (U) Ambasssador Schulte, we are delighted you can visit Algiers this month. Algeria is a committed partner of the U.S. in the war on terrorism and the GoA has actively helped shut down ratlines funneling foreign fighters to Iraq. We also have big commercial interests in Algeria's energy sector. Your visit is one of several we have hosted this year, including trips here by Under Secretary of State Karen Hughes, Deputy S/CT Coordinator Virginia Palmer, Senator Bill Nelson and most recently, a July visit by Assistant to the President for Homeland Security and Counterterrorism Frances F. Townsend.

¶2. (U) Algeria is Africa's second-largest country geographically and, with over 34 million inhabitants, the second-largest Arab state in terms of population. Higher hydrocarbon prices have helped the government accumulate huge new reserves of foreign currency. While macroeconomic indicators look healthy, the economy in northern Algeria, where most of the population lives, is sluggish and a source of instability. For all its talk about democracy the Algerian government comes up short on implementation, and the political arena is stagnant. You will arrive when the campaign season for November 29 local elections is in full swing. Roughly 72 percent of the population is under the age of 30, and large segments of this population generally feels the government is out of touch with their lives and that the system offers them nothing. The harraga problem -- youth risking their lives to leave on improvised boats for Italy or Spain -- has grown significantly over the past year. Recruitment by Islamist extremists also feeds off the alienation widespread among Algerian youth. Algeria thus has enormous potential but faces big challenges: the immediate future will determine whether much-needed reforms will ease the underlying socioeconomic pressures or whether continued stagnation will begin to threaten stability.

NUCLEAR ENERGY

¶3. (C) Our cooperation with Algeria in the nuclear arena has been largely technical to date, within the context of NNSA. Algeria has two reactors, a small one-megawatt plant at Draria built by Argentina, and the larger 15-megawatt Es-Salaam facility some 300km south of Algiers, built by China. Both are decades old. Our sense is that the Algerians are primarily interested in upgrading what they already have. Press speculation, particularly around the time of French President Sarkozy's initial visit to Algeria last summer, has run rampant with rumors that Algeria is seeking to develop commercial nuclear energy with French expertise and cooperation. This is mostly speculation; our contacts at the French Embassy confirm that there is no substance to any nuclear deal with France thus far. You should nonetheless expect Energy Minister Khelil to be hoping you will express a U.S. interest in helping Algeria develop

nuclear power generation.

¶4. (U) In December 2006, Algeria participated in the IAEA workshop for countries considering nuclear energy development. Algeria is party to the Non-Proliferation Treaty with a safeguards agreement in force. It is a party to the Conventions on Notification and Assistance in Case of a Nuclear Accident as well as the Physical Protection Convention. It is not a party to the Convention on Nuclear Terrorism or to the Joint Convention on the Safety of Spent Fuel Management. Algeria has signed but not ratified the Nuclear Safety Convention. According to our records, 34 Algerian students have received PhDs from American universities in nuclear studies since 1969. An additional 13 have received PhDs in physics from American universities. Algerian participation in IAEA Technical Cooperation projects has focused on isotope hydrology, health sciences and agriculture rather than on nuclear power applications.

IRAN

¶5. (C) Top Algerian government officials perceive that Iran helped the Algerian Islamists that sought to topple the Algerian government in the early 1990s; they harbor no deep love for the Iranian government. Iranian President Ahmadinejad visited Algeria last summer, and we know that Energy Minister Chekib Khelil has visited Iran within the context of OPEC. Our MFA contacts claim that they have relayed to the Iranians a message very similar to our own, urging Iran to comply with the IAEA process and the will of the international community. When the Algerians raised the subject of sanctions for non-compliance with IAEA inspections, MFA contacts tell us, the Iranian delegation became suddenly "prudent and cautious" on how to respond. Our Algerian counterparts generally are proud of their country's adherence to principles such as compliance with international organizations over overt bilateral alliances with foreign powers. At the same time, the official, public GOA position -- repeated on a number of occasions by different senior officials -- is that Algeria supports Iran's right to pursue peaceful nuclear energy development. The Algerians in government and on the street strongly oppose U.S. military action against Iran.

TIP

¶6. (C) The problem of trafficking in persons is one of both substance and semantics. The Algerians are not at all pleased about being placed in our Tier 3 status, but they consistently deny that they have a TIP problem. Instead, they view it as part of the problem of illegal migration, and have maintained that their laws on this are sufficient to cover TIP as well. The reality is that Algeria is a transit country for internationally trafficked persons, primarily from sub-Saharan Africa en route to Morocco, Tunisia and Europe. Algeria is neither a source nor a destination country. Local NGOs and international organizations estimate that most trafficking victims enter Algeria voluntarily as illegal migrants, then become victims of labor exploitation in connection with earning the cost of their passage to Europe. Algeria does not have a law that specifically addresses TIP, although from November 19-21, a delegation from the Ministry of Justice is visiting Washington to discuss TIP legislation and a Multilateral Legal Assistance Treaty with our Department of Justice and FBI.

¶7. (C) In a July 14 meeting, MOJ, MFA and National Solidarity Ministry representatives told us that the government will propose TIP-related amendments to existing laws by the end of ¶12007. In that same meeting, we were told of the existence of an inter-ministerial group that produces a report on trafficking. The 2007 report was due to be completed by mid-August 2007. You should encourage the Algerian government to acknowledge the TIP problem officially, and ask the status of the proposed amendments to their laws. You should also encourage the TIP inter-ministerial group to

develop an action plan and offer our help as it does so.

DRUG TRAFFICKING

18. (C) Until recently, most drug seizures reported in the local press have been under 20 kg. Cocaine smuggling from West Africa has, however, exploded in the last year and we are seeing multiple-ton seizures of cocaine in transit to Europe. Morocco continues to be the major regional transshipment point between sub-Saharan Africa and Europe, but Algerian officials worry that alternate shipping routes will arise as the transit market saturates and the police become more successful at interdiction. There is also a possibility that terrorist elements might use ancient trade routes in southern Algeria, northern Mali and northern Niger smuggle drugs to finance their operations. Press reports have not focused on this angle, mainly choosing to report instead on the quantity of drugs seized and not those responsible. The Algerians have requested DEA support and training. DEA in turn has not sought any cooperation on drug seizure information since there is no direct link between the seizures and the U.S.

MONEY LAUNDERING AND TERRORIST FINANCING

19. (U) A U.S. interagency financial sector assessment team visited Algeria February 24-28 to evaluate Algerian needs and lay the groundwork for greater cooperation on money laundering/terrorist financing (ML/TF). Algerian requests focused primarily on training, which paved the way for several additional events later this year. With the cooperation and support of the ICE Attache in Rome, we held a successful bulk cash smuggling workshop in early November for police and customs officials. In early September, we held a workshop on money laundering and terrorist financing for judges, prosecutors, police, gendarmerie and customs officials, and five Algerian government officials participated in a counterterrorism and bank examination training session at the FDIC in Washington, DC, at the end of June.

10. (C) Algeria has established a legal framework to fight ML/TF by enacting a bill in 2005 and adopting major UN conventions. The 2005 law aims to strengthen the powers of the Cellule du Traitement de Renseignement Financier (CTRF), an independent financial intelligence unit within the Ministry of Finance, created in 2002. The law offers guidance for the prevention and detection of ML/TF, along with institutional and judicial cooperation and penal provisions. Over the last three years, Algeria has taken significant steps to enhance its statutory ML/TF regime. Several bureaucratic barriers remain to the ultimate goal of enabling the CTRF to become the focal point for all ML/TF investigations. Algeria also needs training for customs officials to recognize trade-based ML and value transfer transactions. CTRF is currently organizing training sessions for insurance companies, lawyers and others to help them identify suspicious transactions.

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